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ABSTRACT

The authors outline the school finance reform process in Ohio, emphasizing the groups that played central roles in the process. The major group was the state legislature and its policy study group, the Educational Review Committee, but the state department of education, the various educational associations, and the executive branch were also involved. (IRT)

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School Finance Reform in Ohio: The People and the Process

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THE FIRST STEP

The movement toward the reform of school finance in Ohio stemmed from two separate motives. First, the leaders of the state were primarily concerned with the concept of accountability in education. They were interested in the administration and effectiveness of the educational community within the state. In response to this concern, the Legislature, early in the 1972-73 session, enacted HB 475, which mandated a study of educational accountability to be undertaken by the Ohio Department of Education. In response, the Department produced six accountability models for the consideration of the legislators. These models were the result of a project/report known as the "Search for Consensus." The Search consisted of a series of meetings, studies, and limited research in the area of accountability. The final report was due for publication in June of 1973. However, the General Assembly, in HB 86, attempted to prohibit further publication and study by the Search project and also attempted to remove the entire project from the record. Although the enacted version of HB 86 did not include language to this effect, the dissatisfaction with the performance of the Department in this project was informally recognized in the following legislative session, and funding for the Search project was terminated. At the close of the 1973 term of the session, the interest of the Legislature in the area of educational accountability was revived and the Education Review Committee (ERC) was established. The motive behind thie legislative action was the desire on the part of the legislators to institute a mechanism for reform under their direct supervision. The Committee (ERC) was funded with an amount equal to that granted

the previous Department project -- $200,000. The charge to the ERC's stipulated three task areas: 1.) review the administration and effectiveness of the Ohio educational system, 2.) conduct a comprehensive examination of the method of funding elementary and secondary education in Ohio, and 3.) review the use of local educational facilities by local school districts.

Although the creation of the Committee was based on the accountability concerns of the Legislature, a growing interest in the financing of local education in the state accompanied the administrative thrust of the legislative action. The national context of educational finance reform did impact upon the interests of the Legislature. Equalization, however, was not the primary concern of the body. The state aid system in Ohio had grown increasingly inoperative, with the upcoming fiscal year witnessing 100% of the school districts receiving aid under save-harmless guarantees. HB 86 approached this situation with little more than a 'patch-up' set of remedies. It brought into existence a total of eight such guarantees, leaving only two of 624 districts on the state aid formula. In recognition of the inadequacy of the formula, the Legislature made an attempt to plan for a system of funding which would represent the fiscal conditions of both the state and the local school districts. The intention of the Legislature was the creation of a formula which would endure the fiscal and population changes in the state.

THE LEGISLATURE

The primary responsibility for reform of school finance in Ohio can be placed with the Legislature, as is usually true in most states. Within the General Assembly, the ERC served as the principle mechanism for policy formation and introduction. There was a substantial amount of activity on the respective floors of the General Assembly, but the major decisions regarding the body of the reform package had already been made by the ERC and the leadership. The political process that took place on the 'floor' differed only slightly from the typical action of the Legislature. Regional and constitutent interests were the major sources of bargaining -- as policy in general was removed from the debate. The Legislature was presented a package by the ERC which left little room for substantive debate, and almost no major policy compromise was made, or available. The issues remained in the area of local impact of variables. The actual politics of the reform movement, took place within the events leading to the introduction of the reform package to the floor of the Legislature. The important questions revolve around the movement to that introduction.

THE EDUCATION REVIEW COMMITTEE

The movement to reform became official and received its primary legitimacy with the creation of the Education Review Committee. The ERC consisted of fifteen members, divided between the two houses of the Legislature. The joint committee was bi-partisan in nature, which perfectly suited the political division of the two houses. The political division of the General Assembly into Republican domination of the Senate

and Democratic control of the House of Representatives, when coupled with a Democratic Governor, supported the bi-partisan representation. The members of the committee were to be appointed by the leadership of both houses, with each house receiving seven positions on the committee. This procedure was modified by custom. The partyleadership of each house was granted the responsibility of appointing the members, with one party limited to four seats. The split of the two houses meant that the division of the political parties in the ERC would be equal: Senate -- 4 Republicans and 3 Democrats, and the House -- 4 Democrats and 3 Republicans. The ERC consisted of seven Democrats and seven Republicans. The final member of the committee was a non-voting member representing the Office of Budget and Management which was created under HB 86.

The historical track record of both legislative study commissions and the Department of Education is evidenced by the care taken in the selection of members of the ERC. The membership included the chairmen of both the House and Senate standing committees on education, a previous chairman of the House Education Committee and the Vice-Chairman of the Senate Education Committee. Both the Senate and House minority leadership were represented. There was an attempt to fill the remaining positions with those legislators that demonstrated a strong interest in educational policy and the Legislature's relationship to it.

The ERC's dedication to the formation of a 'policy study group' also influenced the staffing of the committee. Rather than turning

the staffing responsibilities over to the Legislative Service Commission as was the practice for all standing committees, save the Budget Review Committee, the ERC moved outside the Legislature for its director. Dr. William Harrison, of the Academy for Comtemporary Problems, was appointed director and given a wide set of responsibilities. Among these duties was the basic orientation of the committee in policy areas. The ERC continued to remove itself from Ohio political parameters by hiring out of state consultants with strong experience in school finance and governance. It was felt that the selection of an Ohio research group for this position would necessarily involve a network of political ties.

The overriding goal of the ERC was to develop within the Legislature the capacity to analyze and evaluate educational policy, to propose long term solutions to basic problems and to monitor the implementation and effectiveness of their policies. The emphasis of the ERC was to be school finance, although accountability had been the initaiting concern.

THE EXECUTIVE

Unlike other states involved in the reform of their educational finance system, Ohio did not receive strong leadership from the office of the executive. This is not to say the the Governor did not support the movement toward reform, but only to indicate that the initiative was not located in the executive branch. The Governor was represented in the pre-introduction process by a representative of the Office of Budget and Management (OBM). This representative reflected the major

concern of the executive: assurance of executive participation in the fiscal responsibility decisions. The initial response of the Governor was encouraging, but his previous experience with the educational funding and program resulted in a cautious involvment. Throughout the preliminary review, the governor's staff lent little more than observation and occassional questioning to the procedures. As the final formula presentation was arrived at, however, a more active role was assumed by the OBM. The OBM did present an alternative set of formulas, which can best be characterized as conservative in approach and limited in financial committment. Until that point in the proceedings, the Governor was restricted by the shortage of educational counsel and an upcoming election in the fall of 1974. He had sponsored HB 475 which created the Committee and was therefore responsible for its progress. As the ERC and the OEA both tended to support a similar formula, the Governor was able to rest upon his support of the ERC and remain outside, yet supportive, of the ERC efforts. Gilligan was defeated in the election by the previous governor of Ohio, James Rhodes. This event slowed, to a great degree, the involvement of the executive.

THE STATE EDUCATION DEPARTMENT

The Ohio Education Department has traditionally assumed an operational position, rather than becoming involved in the politics of state policy formulation. It has no office which is specifically designated as legislative liason, leaving this responsibility to the assistant superintendent for administrative services. It was through this office that the Department communicated with the Legislators on the ERC. It

was also through this office, and primarily its personal interpretation by Ass't. Supt., Paul Spayde, that the Ad Hoc Coalition made its preliminary organizational arrangements. Dr. Spayde served as the host for the Ad Hoc group without taking the role of leadership in the group. The Department did not produce any proposals, but instead served as a support unit for both the Ad Hoc Coalition and the staff of the ERC. The CSSO of Ohio, Dr. Martin Essex, appeared before the ERC to deliver testimony on one occasion only. Position papers were not presented to the committee by the Department except upon request. In summation, the Department served no initiative role in the procedure and participated in a limited supportive fashion.

THE EDUCATIONAL ORGANIZATIONS

As the Legislature moved toward the establishment of the ERC, the educational organizations of Ohio were also preparing a mechanism for the reform of educational finance and administration. The various educational interest groups had established a history for interaction and cooperation on certain state wide issues. The major policy emphasis came from the Ohio Education Association (OEA) which took the initiative in the formation of communication channels among the groups. The OEA was sensitive to the national educational finance reform context.

In reaction to the entrance of the courts into the educational finance policies in other states, the OEA contacted the Department in mid 1973 to request that the Department serve as the clearinghouse for educational interest group interaction in the school finance issue area.

The Department agreed to serve in this host position. A coalition was formed consisting of the major educational organizations in the state -- Ohio Education Association, Buckeye Association of School Administrators, Ohio School Boards Association, Ohio Department of Education and several minor groups representing the handicapped, school employees, school principles and parents. The first four, the OEA, BASA, OSBA and the Department formed the core of the Coalition.

The major concern of the Coalition was the poor track record of the previous study commission and the relationship of the Legislature to the special interests of the various groups. The basis for the coalition was a predetermined set of issues recognized as common to all members. From the first, the members identified the parameters of the coalition and accepted the fact that the groups would not bind themselves to positions or issues outside the boundaries of agreement. It was recognized that the separate interests would most likely divide, once the movements of the ERC reached the legislative preparation state. Due to the diverse constitutencies, the Coalition limited their joint efforts to the major issue of a school finance formula.

The major thrust of the Coalition was to serve as a support and resource center for the ERC. The two groups which provided the majority of support for the Coalition were the OEA and the OSBA. The OEA was able to supply data and research sources, while the OSBA was limited to staff resources. The ERC was seen as the vehicle for these groups to influence, but not control. Their impact upon the research was somewhat limited by the consultants to the ERC. However, as the period

of preparation progressed to the final stages, the Coalition was able to provide alternatives to the suggestions of the consultants. In this manner, they were able to gain entrance into the decision making process. The Coalition limited the typical types of lobbying efforts by the various groups until the Legislature considered the school finance package on the floors of the two houses. It was at this point that the groups began to drift from the core of the Coalition. The issues addressed, however, were no longer of major policy import, and were limited to specific points of impact. The purpose of the Coalition was to attempt to steer the ERC into the path of equalization, which was a compromise between the two extremes of equal and guaranteed yield approaches. Once it was assured that the legislators were oriented in the desired direction in a manner which appeared to be unalterable, the Coalition began to break into its component parts.

THE REFORM PROCESS

It is important at this point to understand the unique situation that existed in Ohio at the beginning of the reform process. In fact, the usual characteristic statement that the "sheer weight of fiscal and political complexities were a major constraint to school finance reform," was just not the case. There were no severe fiscal pressures. During the first year of the ERC, the State ran a surplus of over 100 million dollars and enacted a lottery which would add several million more to the already swollen State coffers. Additionally, the State was not under a court order to change the system, although the Constitution contained the "thorough and efficient" language that

formed the basis of legal challenges in other states. It is significant to note that the one court case, the Park Investment Case, that proved to be the central focus of the entire process, was not perceived to be a case addressing a fundamental issue in school finance, namely property assessment and equalization.

Ohio was the only major metropolitan state employing a foundation formula state support system that did not equalize the tax base for school aid purposes. The Ohio Supreme Court and the General Assembly had moved to correct the situation but several factors, including organized political power at the county level, acted to discourage their efforts. The Court ruled in the Park Investment decision that the Ohio Constitution required taxation of real property under a uniform rule. The Board of Tax Appeals (BTA) was ordered by the Court to establish an equal and uniform rule to be applied to all classes of real property and local jurisdictions for the determination of taxable values. In late 1971, the BTA ruled that the taxable value of each parcel of property be established and maintained at 35% of actual market value. The General Assembly modified the BTA ruling by requiring implementation on a county-by-county basis as each county is reappraised during the sexennial assessment cycle. It was clear from the start that changes in the measure of school district wealth for aid purposes must precede the formulation of subsidy alternatives.

Along with problems of property tax administration, the special problem of the urban areas, declining enrollments and increased taxpayer

resistance, had largely underminded the foundation formula. Average spending far exceeded the foundation level and wealth disparities exceeded those found in Texas, which were challenged in the Rodriguez Case. Several legislators expressed concern that the formula did not respond to changing fiscal conditions, however, the majority of the legislators realized that the Legislature had to maintain the fiscal responsibility, not the formula.

After several months of intensive research the ERC issued its report and recommendations on January 12, 1975. Less than two months later, the guaranteed yield package was introduced as HB 530 and SB170 on March 12th and 13th. The Senate passed SB 170 in the middle of May, while the House waited until July 25th to pass the Senate version with certain amendments. It was August 21st, before the Conference Bill was passed and the Governor, after vetoing seven line items that included provisions for minimum teacher's salaries and staffing requirements, signed the bill into law. The Senate counter-acted the Governor's action by overriding the line item veto in September. The fact that party leadership comprised the membership of the ERC undoubtedly provided the ways and means to enact such a comprehensive reform package in such a relatively short period of time.

THE INFORMATION SYSTEM

One of the most important factors in the overall process of reform was the development of a strong working relationship between the ERC and expert support staff. Before the ERC was formed, the respective

legislative committees depended upon the Department to provide them the necessary data. The ERC directed the consultants to construct a school finance data system which could be transferred to the staff of the ERC upon termination of the contract with the consultants. This action shifted control of the numbers and format of the presentation away from the Department, which was one of the primary objectives of the ERC. Because of ERC's lack of experience in working with expert staff, even the basic computer printouts showing the fiscal impact of various aid alternatives were somewhat of a novelty. The Department has the responsibility of collecting and maintaining a school data base, but the nature of their system does not lend itself to a situation where it is necessary to respond to special legislative demands. As always, this fact is counter-balanced by the fact that it is important that the information used in the legislative process is as consistent as possible. Due to the changing nature of the information involved, the role of the Department in maintaining an accurate and current data system remains fundamental to the whole process.

After the consultants transferred the data base to the ERC staff, several problems remained with the actual operation of the system. Dr. Harrison and his staff developed the programs necessary to simulate both the new gauranteed yield system and conventional foundation formula. The Department, however, withheld the tax valuation data from the ERC and ran the analysis of SB 170, the new guaranteed yield proposal, and sent the printouts directly to the Legislature. At this point the ERC felt that it shouldn't present another set of printouts, which

reflected a slightly different set of numbers. This sequence of events was followed by the ERC and the Department entering into an agreement that the Department would use the legislative data set for future aid simulations. Again this agreement proved to be inoperative due to the changing nature of the data.

Although the Department will undoubtedly maintain control over the source data, the ERC has made the decision to further develop and maintain a separate legislative data system. The current posture of the Department is one of developing the same capacity as the ERC to simulate and present formula alternatives. This action might, in itself, lead to even further conflict in the timing and presentation of results. However, the Department, being an extension of the executive, must have the capability to provide the necessary information for legislative process of determining the fiscal notes. Within the General Assembly, the Legislative Budget Office has the ultimate responsibility of producing the fiscal notes which are to be attached to the bills. In this effort, the Legislative Budget Office obtains input from both the ERC and the Department, but they retain sole responsibility for the estimates.

Given the fact that both the legislative staff and the Department adopted a somewhat higher level of technology, did this new level of technology have the effect of multiplying the alternatives under consideration? Care must be taken in the answer to this question because the situation changed dramatically over the course of the process.

In the beginning, when the ERC was investigating whether or not the solutions to the finance problems were available by means of a modification to the present system or an entirely new system, the ERC and the consultants maintained control over the new technology and the number of alternatives were minimized. Later, when the reform legislation came to the floor, there was no debate over the basic principles of gauranteed yield and property equalization, so there was still no need for major revisions in the existing programs or data systems. However, as the various parties sought to represent their respective interests, the need arose to simulate many small changes in the parameters of the formula. Thus the adoption of the higher level of technology did not appear to multiply the basic alternatives, but did enable the ERC to respond to the legislative demands which required a certain fine tuning of the parameters.

THE FUTURE OF THE REFORM MOVEMENT

Several aspects of the enactment of the guaranteed yield program will continue to generate the need for additional discussion and research. Two of the most important areas involve the "save-harmless" provisions and the relationship of the urban areas to this type of formula. Since most of the districts received their aid under one of the guarantee provisions, the transition from the foundation formula to guaranteed yield formula necessarily involved a significant reduction in the level of funding under the "grand-father" clauses. Essentially, the save-harmless was bought up by a huge increase in the basic formula aid. This type of response may not be possible in the future.

The reaction of the cities to the new formula could potentially determine the success of the program. Oddly enough, the discussion of municipal over-burden did not include the possibility of counting, in either a full or discounted fashion, the non-school millage levied in the cities. Instead, the special problems of the cities were treated through additional categorical funding, namely Disadvantaged Pupil Impact Aid. If the cities had demanded that their problem be addressed on the basic side of the formula, the whole reform movement might not have been successful. The advantage that the cities would have in terms of the basic agreement is obvious -- it is politically much easier to lobby for general rather than special interest aid.

Additionally, not all of the research agenda has been completed at this time. The problems of special education, declining enrollments, the coordination of federal aid programs, and regional cost variations remain. The ERC has undertaken study of the regional cost variations, but it appears unlikely that the ERC will be continued past the end of the current biennium. The "big politics" now center over the property equalization question and the ERC will, for the time being, remain in the turmoil.

CONCLUSIONS

The movement toward the reform of Ohio's school finance system witnessed the most intensive political activity during the deliberation and activities of the Education Review Committee. The political activity which took place following the introduction of the ERC school finance package was not peculiar to the area of school finance, but assumed the method of typical legislative bargaining procedure, with the typical and to be expected constitutent pressures and orientations. The major political activity centered on the workings of the ERC and the subsequent action of the education interest groups in the form of the Ad Hoc Coalition. The principal political actors in this process were the individual members of the ERC and the Coalition. The Governor and his resources did not take an active role in the process. The Department of Education did not participate in an active manner. The unique Coalition of interest groups around a single issue were able to collectively shape a school finance program that represents significant progress toward the goal of equalization of educational opportunity in Ohio.

Given the complexities and constraints, is it realistic to expect that major changes, similar to what happened in Ohio, can be made in other major metropolitan states? Or, is it more likely that the school finance issues in other states will continue in the future to be what they were in past, characterized by marginal increases in state aid distributed under existing formulas? Considering the fact that Ohio enacted a package which added about 250 million dollars in state aid

to education over a two year period, it seems unlikely that this type of reform will be very contagious. However, other states, who are already spending at relatively high levels, might be able to convert their systems with a minimal increase in state aid.